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Commodity Brokerage/Consulting

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Morning Ag Markets

Pete Loewen

The outside markets were at it again- impacting the grain and livestock trade, but it was in a positive fashion again not unlike what was happening on Wednesday. The DOW was up more than 200 points most of the day, crude was up over \$2.00 and the dollar was a lot weaker and all those factors are positives for the ag markets, particularly the trade in the dollar. Grains were up only mild to moderately and cattle trade could probably be best described as the same. Hogs didn't fare quite as well though and settled mixed.

The noon boxed beef quotes were down more than \$1.00 and that probably kept a lid on better futures gains in the cattle. We have also been disappointed in how the late week cash has progressed. Despite the fact the spot June Live Cattle futures have been able to string together two nicely higher closes, feedlots have been unable to muster any improvement from the Tuesday trade that was established in that \$93-\$94 area. Yesterday's reported trade from north to south was still in that \$94 range which is anywhere from \$3.00 to as much as \$4.00 below last week's action. Keep in mind it is also unfortunately \$6.00 lower than where the market was at just two weeks ago. The bump in the outside markets obviously didn't help the late week negotiations and neither did the two day jump in futures.

Cattle slg. ___130,000 unch wa -1k ya

Choice Cutout_164.83 -1.31

Select Cutout_157.52 -1.96

Feeder Index:___109.15 unch

Lean Index.___ 83.82 -1.01

Pork cutout__ 87.95 +.50

IA-S.MN direct avg__76.37 -.75

Hog slg. ___ 396,000 -1k wa -31k ya

The overnight trend in the electronic livestock trade has been a little higher in hogs, mixed in feeders and lower in the live market. The fact the product trade was sharply lower yesterday in cattle and cash was unable to rally from the early week lows could very easily weigh on futures today, so the calls are going to be lower in cattle across the board this morning. Calls in the hogs are mixed to mildly higher.

In the grain trade, outside markets were the primary supporting factor on Thursday, but China corn rumors continued to circulate throughout the day as well. Talk of more import quota coming soon as well as the first boat being loaded off the PNW to ship previous sales is laying a shelf of support under the market. The next big step to the process will be making sure GMO's aren't a negative issue in the equation. Between the rumors of more corn business potential and also potential switching of South American soybean sales to US origin have certainly helped offset the bearishness of US weather improving our crop production potential.

Overnight E-CBT trade was__ a little higher in wheat and a little lower in the corn and soybeans. KC Wheat finished +3/4 to +1 1/2, Chicago +1 1/4 to +1 1/2, corn -1 3/4 to -4 1/4 and soybeans -1/4 to -4 1/4.

There was a big shift in the extended forecast last night that took the 6-10 from normal to above temps down to below normal temps in the eastern Corn Belt, it is still normal to above in the western part of the Plains. Precip was above in the east and normal to below in the central and west. I don't see any real market movement coming from the switch in the forecast. Actually, the below normal precip forecasted for parts of the Dakota's, Minnesota and Iowa will be good for getting the rest of the corn and bean crops in the ground. We just need to watch to make sure the dryness isn't a developing trend.

There really isn't a lot more to talk about in the grains this morning. Outside markets are extremely quiet, so there is no reason to believe the pit open will be much different than the overnight close. I'm calling corn and beans mildly lower and wheat mildly higher.

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